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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Implementation of Section 309(j))
of the Communications Act)
Competitive Bidding)

PP Docket No. 93-253

REPLY COMMENTS OF MCCAW CELLULAR COMMUNICATIONS, INC.

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SUMMARY

In adopting competitive bidding rules, the Commission is establishing an untested licensing procedure for the largest single allocation of new spectrum in the history of our country. If the American public is to realize the promise of this spectrum resource without undue delay, the auction procedures adopted by the Commission must be open, fair, and simple to administer.

In recognition of these goals, McCaw and numerous other commenters support the Commission's concept of open, oral bidding that is the foundation of its auction proposal for personal communications services ("PCS") licensing. The Commission should reject, however, its tentative conclusion to superimpose a sealed "combinatorial" bidding scheme upon the open, oral individual bidding process. In contrast to the philosophy of inclusive participation reflected in the authorizing statutes, sealed combinatorial bids -- in conjunction with the Commission's PCS eligibility rules -- would operate to exclude effective participation in auctions by a host of qualified individual bidders.

Sealed combinatorial bidding also would distort the outcome of the auctions by depriving individual bidders of critical information necessary for informed bidding and by providing bidders with perverse incentives to join combinatorial consortia or sit on the sidelines during the

individual auctions. By skewing the auction process to favor unfairly a handful of combinatorial bidders, the Commission would elevate the interests of a few large entities at the expense of hundreds of diverse local and regional potential service providers. It would also compound the disadvantages that the Commission in its recent PCS report and order recognized are associated with national licensing.

Its many flaws make the combinatorial bidding proposal legally suspect and unduly complex. This auction method therefore promises to introduce needless delay in the deployment of new PCS services. Due to its many deficiencies and inequities, combinatorial bidding should be rejected.

A better alternative can be found in the principles underlying the simultaneous bidding proposal offered by the National Telecommunications and Information Administration ("NTIA") and other commenters. McCaw recommends that the Commission establish an auction process based on a simplified version of NTIA's model. Under this proposal, all major trading areas ("MTAs") or basic trading areas ("BTAs") for the same size spectrum blocks would be auctioned simultaneously. All qualified applicants would bid on an open, ascending basis until all bidders have had sufficient opportunity to respond to the final bid. Bidding for each individual license would close and the license would be awarded once five business days have elapsed since the last bid. Simultaneous bidding can be implemented within the

Commission's tight statutory deadlines either through non-electronic or electronic means and will likely result in quicker licensing of PCS than holding the auctions one at a time.

This simultaneous auction approach incorporates the benefits of an open, oral auction by providing complete information for bidding decisions and awarding spectrum to those most valuing the specific licenses since it allows all eligible bidders to compete. It also allows bidders to aggregate license areas efficiently and expeditiously and to craft their bids to reflect the interdependence in value of combinations of properties or spectrum blocks. Indeed, this methodology negates any conceivable need for combinatorial bidding since any company desiring to acquire licenses for the entire country can do so.

With respect to the applicability of competitive bidding, there is wide agreement with the Commission's conclusion that renewal and modification applications should be excluded. There is also strong support for removing intermediate link applications from the auctioning process. Finally, competitive bidding should apply to private radio services that have exclusive spectrum rights and provide for-profit services to subscribers, and to cellular unserved area applications, both those already on file as well as future filings.

The opening comments also make clear that the Commission must, in granting preferences or other benefits to designated entities, begin with clear definitions of such entities. In addition, the auction rules must ensure that designated entities that benefit from preferential treatment are not able to abuse the process to the disadvantage of the public.

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McCaw Cellular Communications, Inc. ("McCaw") hereby submits its reply comments in the above-captioned proceeding concerning implementation of competitive bidding rules.¹ As detailed below, the opening comments from diverse industry participants reflect substantial agreement that the Commission should fashion auction procedures that promote informed bidding decisions and ensure the timely award of licenses to those most valuing the spectrum. The record clearly demonstrates that the open, oral bidding process primarily recommended by the Commission should be adopted.

Mixing sealed combinatorial bidding with open, oral bidding, however, would be contrary to the Commission's basic objectives. An incompatible hybrid of sealed and open

¹ Implementation of Section 309(j) of the Communications Act Competitive Bidding, FCC 93-455 (Oct. 12, 1993) ("Notice"). On November 10, 1993, nearly 200 opening round comments were filed with the Commission. The reply comment date was extended from November 24, 1993 until November 30, 1993. Implementation of Section 309(j) of the Communications Act Competitive Bidding, DA 93-1426 (Nov. 23, 1993).

bidding would threaten the integrity of the entire auction process by unfairly favoring the interests of a few combinatorial bidders over hundreds of diverse local and regional bidders. A simultaneous bidding format, suggested by several commenters, would best serve the public since it embodies the benefits of open, informed bidding the Commission seeks while allowing the expeditious and effective aggregation of regional or national licenses.

I. THE OPENING COMMENTS DEMONSTRATE THAT
COMBINATORIAL BIDDING IS INCONSISTENT WITH
COMMISSION AND CONGRESSIONAL GOALS

The Notice proposes to implement "combinatorial bidding" in certain circumstances, including PCS licensing.² A substantial number of the opening round commenters concur with McCaw that sealed combinatorial bidding mixed with oral individual auctions is contrary to the Commission's competitive bidding and PCS policy goals. Combinatorial bidding methods should therefore be rejected.

A. Combinatorial Bidding Is Unfair and Would
Undercut the Legitimacy of the Auction-Based
License Procedures

In their opening comments, McCaw and other commenters outlined the complexity, legal uncertainty, and resulting delay from blending sealed combinatorial bidding with oral

² Notice at ¶¶ 57-62.

bidding. Diverse parties concurred that superimposing sealed combinatorial bids upon open, oral auctions for individual markets would disserve the public interest and place the auction process at odds with the statutory requirements.³

The melding of open, oral auctions with sealed combinatorial bids will have the following unacceptable characteristics:

- Unfair: The skewed bidding process is fundamentally unfair to local and regional license applicants by establishing a process designed to heavily favor combinatorial bidders.⁴ Combinatorial bidding undercuts the flow of information about bidders' preferences and values that is a critical element of a fair auction.⁵ Where "signals" about the interests of combinatorial bidders are excluded, other parties are denied a fair opportunity to compete in the auction.⁶

³ E.g., APC at 3-5; AT&T at 4-8; Baraff, Koerner at 1-3; BellSouth at 6-11; Dial Page at 2-3; PacBell at 5-9; PageNet at 18-22; Rural Cellular Assn. at 9; Louisiana Small Telcos at 7-11; SWB at 22-31; Sprint at 4-7; TDS at 11-15; Telocator at 5-7; U.S. Intelco at 10-12.

⁴ E.g., AT&T at 6; Baraff, Koerner at 2; BellSouth at 10-11; Sprint at 5; TDS at 12-13. As discussed in the next section, cellular carriers will be excluded from participating in the national combinatorial bids, further skewing the process in favor of a handful of eligible entities. See BellSouth at 7-8.

⁵ E.g., PageNet at 20; SWB at 25-26.

⁶ The Commission attempts to address this unfairness with its "best and final offer" refinement. See Notice at ¶ 60. This suggested modification, as outlined by McCaw in its opening comments, only creates more problems. The proposal of the Cellular Telecommunications Industry Association ("CTIA") attempts to eliminate the blatant advantage of the unanswered sealed combinatorial bid by contemplating the opening of sealed national bids prior to

(continued...)

- Exclusionary: Combinatorial bidding would favor large businesses and "deep pockets" and discriminate against small businesses and others with limited access to capital and other means of financing.⁷ This favoritism undermines the diverse participation and informed, open process that the Commission has set as its goal.
- Capricious: Contrary to the tentative conclusions of the Commission, there is serious question as to whether combinatorial bids in fact will award licenses to the entities that place the highest value on them.⁸ The proposed combinatorial bid scheme encourages parties interested in only a few MTA licenses to join national bid consortia because the process favors combinatorial bidders. Consortium members are not likely participants in individual MTA auctions for fear of jeopardizing the ultimate success of their own consortium's combinatorial bid. The integrity of the individual market auction process will thus be undermined and the likelihood that MTA licenses will be awarded to those who value them the most will be compromised.
- Unduly Complex: As opposed to straightforward open auctions, the sealed combinatorial bid/open auction mixture would introduce substantial complexity into

⁶(...continued)

the initiation of the individual oral auctions. CTIA at 16-23. See also CCI at 6; SWB at 24-26; TDS at 15. Participants in the open, individual market auctions at least would know the overall number against which others must bid. However, even this attempted remedy falls short of ensuring a fair auction process if the open auctions are conducted sequentially: winning bidders on markets that are auctioned first may refrain from supplementing their bids to surmount the leading combinatorial bid, assuming that bidders on markets that are auctioned later will simply carry that burden themselves.

⁷ E.g., APC at 4; BellSouth at 7; Breen at 1-3; Dial Page at 2-3; Rochester Tel at 9; Rural Cellular Assn. at 9; Louisiana Small Telcos at 7-8; Sprint at 4-5; U.S. Intelco at 11.

⁸ E.g., Baraff, Koerner at 2; Comcast at 8; PacBell at 5-8; PageNet at 19.

auction design and implementation.⁹ Determining the mechanics of this process and then putting them into place will certainly lead to delays in the conduct of PCS auctions and the issuance of licenses.

- Legally Vulnerable: Delay also will ensue from the likely legal challenges to either the process itself or the issuance of the licenses awarded pursuant to the combinatorial bidding system.¹⁰
- Unnecessary: Even without combinatorial bidding, those parties desiring to pursue a national license may do so by bidding successfully for each of the 51 MTAs on spectrum block A or B.¹¹ The goal of a national license can be attained without the detriments of combinatorial bidding.

Even the supporters of combinatorial bidding believe that additional modifications to the proposal contained in the Commission's Notice would be necessary. The "refinements" offered by these commenters, however, do not ameliorate the deficiencies of the combinatorial bidding concept. Indeed, the proposals set forth in the comments generally exacerbate the deficiencies of combinatorial bidding outlined above.

Ameritech and Nextel, for example, would permit interested parties to create their own packages of combinatorial bids.¹² Allowing individualized combinations

⁹ E.g., AT&T at 7; Arch at 9; BellSouth at 6; Comcast at 5.

¹⁰ E.g., Telocator at 6.

¹¹ E.g., BellSouth at 8-9; Breen at 1-2; CCI at 9-10; Louisiana Small Telcos at 10; SWB at 30.

¹² Ameritech at 4-5; Nextel at 10.

of bids would substantially confuse bidders trying to determine what areas are up for bid and even which entity is winning an auction.¹³ This scenario would lead to delays in service initiation and resource-consuming litigation.

Even worse, other suggestions would simply guarantee that at least one national PCS license is awarded, if not two. MCI, for example, the most vociferous advocate of nationwide PCS licensing, recommends an approach clearly biased toward the issuance of national licenses. MCI has suggested that combinatorial bidders be allowed to dismiss their bids at any time before the opening of the sealed bids and, in the case of a winning combinatorial bid, to withdraw any MTA winning bids in the other band.¹⁴ This structure would guarantee that combinatorial bidders are the only auction participants with full knowledge and flexibility. They also would have an unwarranted advantage in minimizing their risks of losing or overbidding as compared to oral auction bidders.

NYNEX promotes a plan whereby a combinatorial bidder would determine its bid amount based on the total bid for the individual markets, plus a stated percentage, all subject to

¹³ See BellSouth at 10 n.14; CCI at 11; Comcast at 5; Cox at 6; Dial Page at 2; MCI at 7; Sprint at 5-6.

¹⁴ MCI at 10.

a spending cap.¹⁵ This scheme is transparently biased since it would make it impossible for individual market bidders to win, since the combinatorial bidder would by design have the highest bid.

B. Sealed Combinatorial Bidding Is Inconsistent with Commission and Congressional Goals of Promoting Diversity of Services and Ownership

In authorizing the Commission to auction spectrum licenses, Congress directed the Commission to design a system that would achieve, inter alia, the following objectives:

- the rapid deployment of new technologies and services throughout the country;
- the promotion of competition and the avoidance of excessive concentration of licenses; and
- the participation in new services by diverse entities that include small businesses, rural telephone companies, and businesses owned by members of minority groups and women.¹⁶

The Commission thus is under an obligation to ensure that auctions will promote a diversity of services and participants.

These Congressional goals, however, would be thwarted if the Commission proceeds with PCS licensing based on a package of open, oral auctions for individual service areas and

¹⁵ NYNEX at 14.

¹⁶ Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, § 6002(a), 107 Stat. 312, 388-89 (to be codified at 47 U.S.C. § 309(j)(3) and (4)).

sealed combinatorial bids for national licenses, as outlined above. Entities desiring to provide local and regional PCS offerings would be placed at a distinct, unwarranted disadvantage by the combinatorial bidding process. Any national licenses issued as a result would be the product of a system that unfairly elevated the interests of a few combinatorial bidders at the expense of numerous individual bidders and that hampered the full participation of all interested parties in the bidding process.

The only apparent purpose behind this skewed auction format is to encourage the creation of one or more national PCS licenses. Yet, in establishing PCS, the Commission declined -- for sound public policy reasons -- to grant national licenses.¹⁷

In short, the adoption of sealed combinatorial bidding is designed to do indirectly that which the Commission has already refused to do directly. And, it would accomplish this goal by sacrificing license opportunities for a diverse group of service providers, contrary to the explicit mandate of Congress.

The adverse impact of combinatorial bidding upon the goal of diversity of ownership and services is exacerbated by the Commission's PCS rules, which do not permit all

¹⁷ Amendment of the Commission's Rules To Establish Personal Communications Services, FCC 93-451, at ¶ 73-78 (Oct. 22, 1993) ("PCS Second Report and Order").

interested parties to submit sealed national bids. In establishing the PCS rules, the Commission concluded that "participation by cellular operators in PCS offers the potential to promote the early development of PCS by taking advantage of cellular providers' expertise, economies of scope between PCS and cellular service, and existing infrastructures."¹⁸ The Commission accordingly permitted cellular licensees to be full participants in PCS licensing outside their service areas.¹⁹

Despite the Commission's determination that cellular carriers have valuable contributions to make to the successful development of PCS, the eligibility rules imposed in the PCS Second Report and Order would effectively bar all (or nearly all) cellular carriers from participating in a national combinatorial bid.²⁰ The public interest would be disserved by establishing auction rules excluding bidders who may value the spectrum most²¹ and by failing to take

¹⁸ Id. at ¶ 104.

¹⁹ Id.

²⁰ See, e.g., CCI at 6 & n.8; Sprint at 6. Similarly, cellular carriers would be hampered in their ability to join with other entities in forming consortia to bid on individual PCS market licenses and in seeking to form regional systems. McCaw currently intends to seek reconsideration of the cellular eligibility rules adopted in the PCS Second Report and Order.

²¹ SWB urges the Commission to bar AT&T, McCaw, and "the proposed AT&T/McCaw entity" from "participating in any
(continued...)

advantage of the wealth of experience and information possessed by committed cellular operators.²²

* * * * *

Combinatorial bidding provides no public interest benefits. In contrast to the philosophy of inclusive participation reflected in the authorizing statutes, combinatorial bidding is exclusive and bars the effective participation in auctions by a host of interested entities. Because the Commission's goals can more effectively be achieved through superior mechanisms, like that suggested in the next section, combinatorial bidding should be rejected.

²¹(...continued)
fashion in any nationwide aggregated bidding." SWB at 29. Such exclusion of potential competitors as proposed by SWB is wholly unwarranted and is inconsistent with the Commission's pro-competitive PCS policies. Moreover, SWB offers no sound basis for the recommended exclusion, instead relying on groundless speculation.

²² MCI would further -- and unjustifiedly -- handicap many cellular carriers by urging the Commission to "exclude the dominant cellular providers (and their affiliates) from bidding on one entire band of the 30 MHz MTA licenses, whether the particular MTAs in that band represent an in-region or out-of-region MTA to a particular dominant cellular provider." MCI at 4. MCI's argument reflects its continued determination to exclude as many competitors as possible for its operations.

II. ADOPTION OF PROPOSALS FOR SIMULTANEOUS OPEN BIDDING WILL ENSURE THE AWARD OF LICENSES TO QUALIFIED APPLICANTS WHO ASSIGN THE HIGHEST ECONOMIC VALUE TO THE SPECTRUM

A. A Preponderance of the Commenting Parties Favor Open Bidding Processes

The vast majority of the parties in this proceeding support the tentative conclusion set out in the Notice that the Commission deploy open, ascending bid auctions as the basic method of competitive bidding.²³ This method of bidding provides potential licensees with substantial information that permits them to make informed decisions about continued bidding activities in that market and elsewhere.²⁴ Accordingly, the Commission should adopt its proposal to rely primarily upon open auctions for the assignment of licenses subject to competitive bidding.

Consistent with the goal of providing maximum information about the status of bidding, the identity of bidders' ownership should be publicly disclosed in advance of

²³ Notice at ¶ 46; e.g., Alliance Telecom at 3; APC at 1; BellSouth at 4; Breen at 1; CCI at 1; CTIA at 7; Comcast at 3; GTE at 5; NABOB at 6-7; NABER at 6; Nextel at 4; PageNet at 7; Rural Cellular Assn. at 6; Rochester Tel at 2, 8-9; SWB at 16-20; TDS at 6; Telocator at 3; U.S. Intelco at 8.

²⁴ E.g., CCI at 3-4; NABOB at 6-7; PageNet at 9-12; SWB at 17; TDS at 6-7.

the auctions.²⁵ This information will be useful to interested parties in assessing their own options in connection with any particular service area, by providing them information about the entities against whom they are bidding. This ownership information could be provided as part of the short form application signalling a party's intent to participate in an auction; the Commission could subsequently release a public notice providing the ownership information for each bidder (or establish some other mechanism to make the ownership information readily available to all interested parties).

B. The Commission Should Adopt a Simultaneous Open Bidding Methodology that Is Expeditious and Allows the Geographic Aggregation of Licenses, Thus Obviating Any Need for Combinatorial Bidding

Based upon the recommendations of other commenters and further consideration of the best sequencing to achieve the Commission's competitive bidding goals, McCaw believes that the Commission should proceed with a simplified version of the simultaneous auction proposals offered by NTIA and others. Under this proposal, the Commission would license PCS by first placing all of the 30 MHz MTA licenses -- both spectrum blocks and all geographic markets -- simultaneously

²⁵ E.g., Alliance of Rural Telephone and Cellular Service Providers at 6; GTE at 11-12; PacTel at 6; Santarelli at 2.

up for bid. For the MTAs,²⁶ the process might proceed as follows:

- All 102 MTA licenses would be available for bidding -- as individual items -- during the auction.
- Information on the status of bidding on each license would be maintained in a location and in a format readily accessible to all parties interested in participating in the bidding. The Commission might employ a "big board," or, if electronic bidding has been implemented, a centralized computer.
- Bidding would be open to all qualified entities. A bidder would be able to participate in a particular license auction at any stage of the bidding. Thus, an entity that did not submit a bid in the early rounds would be entitled to join in at the higher amounts. Similarly, bidders would be able to submit as many bids as they want, as the amounts offered continue to increase.
- Bids would have to increase by a minimum increment to be set by the Commission. This measure could be set as a flat amount or as a percentage of the last bid. An appropriate minimum increase amount might be 1 to 3 percent of the preceding bid. Minimum bidding increments will ensure that the auction progresses at a reasonable pace.
- Bidders would have a reasonable period of time in which to respond to the last bid. McCaw suggests that this period be set at five business days. Once five business days elapse without further bidding activity, the license would be awarded to the highest bidder.

This approach would provide even greater data to interested parties than auctions held seriatim. Entities would have information about the availability and price of

²⁶ Once all the MTA licenses were awarded, the Commission would proceed to the BTAs, and hold similar auctions for first the 20 MHz and then the 10 MHz blocks.

all markets necessary to create regional systems. This information would foster rational revenue allocations by interested parties and among the various service areas.²⁷ In addition, this process should lead to enhanced value per market, resulting from the higher level of information made available to competitive bidding participants and reflecting the interdependent value of license clusters.

Simultaneous bidding also would eliminate the need for combinatorial bidding procedures by allowing entities easily to aggregate blocks of licenses. Any entity or consortium desiring to establish a nationwide PCS system would be able to bid on each of the MTAs and would be able to monitor the bid levels to ensure its capability to fund a nationwide system.²⁸

McCaw's support for this bidding system -- and the likelihood of success for this method -- necessarily are contingent on bidding parties having sufficient time in which to evaluate and respond to bids. Adoption of a minimum period of five business days without any bidding activity following the last, high bid for a particular license before the closure of bidding for that license is supported by a number of factors. Parties pursuing multiple markets, for

²⁷ See NYNEX at 15-16.

²⁸ In addition, if it is important to a bidder which block of spectrum it obtains, that party could more readily pursue either the A or B block of frequencies.

example, may well have a number of interrelated bids that require overall evaluation before a new bid can be submitted in any given market. Reasonable intervals also will allow bidders the opportunity to explore the availability of increased financing should bid levels or commitments exceed their original projections. This opportunity may be particularly essential to smaller applicants. Parties must be afforded the opportunity to obtain necessary information and to make a fair and full evaluation.²⁹ Since simultaneous bidding eliminates the need for 102 separate auctions, this five business day wait will ensure fairness but still result in the most expeditious licensing of services.

Simultaneous auctions for PCS service areas could be accomplished through computerized electronic bidding, as mentioned by the Notice and as supported by several commenters.³⁰ Simultaneous auctions can also be implemented

²⁹ In many cases, a subsequent bid will be made in a much shorter time frame. As the level of bidding in various markets approaches the maximum that parties are willing to pay, however, the pace of bidding may slow, as the bidders take the time necessary to evaluate their plans. Providing bidders with such adequate time will lead to more rational decisions by potential PCS licensees, which in turn can be expected to have benefits for the public in terms of service implementation.

³⁰ E.g., Comcast at 3; NTIA at 14-17; NYNEX at 13-14; Rural Cellular Assn. at 6; U.S. Intelco at 8.

on a manual basis,³¹ and the Commission should proceed with manual bidding unless and until electronic bidding is an option.

This simultaneous bidding approach is consistent with the assessment of bidding methodologies set forth in the Affidavit of Paul R. Milgrom and Robert B. Wilson, attached to the PacBell comments. Milgrom and Wilson evaluate a number of means for conducting auctions. They note that sequential bidding may pose difficulties for efficient service area aggregation.³² Also, they support the need to ensure that bidders have sufficient time to evaluate their next bid and believe the Commission should not prematurely close off bidding.³³ The McCaw proposal effectively addresses these concerns, by providing additional information enhancing aggregation decisions and ensuring participants have appropriate time windows to act on that data. Similarly, this simplified format still responds to NTIA's concern that sequential PCS auctions will not allow parties to express the value of interdependent systems;³⁴

³¹ Thus, parties could submit bids by sending them over facsimile machines to a specified location. Alternatively, the bids could be telephoned into a central location. Another possible structure would be to require in-person bidding at a centralized location.

³² Milgrom/Wilson at 17-18.

³³ Id. at 20-21.

³⁴ NTIA at 11.

simultaneous bidding lets a party jointly value all licenses for which it is bidding.

C. Upfront Deposits and Payment Terms Must Ensure that a Full Range of Qualified Entities Can Participate in Spectrum Auctions While Deterring Speculation and Warehousing of Spectrum

McCaw concurs in the concept of establishing mechanisms, such as substantial upfront deposits and prompt payment of winning bid amounts, that ensure that only bona fide entities participate in auctions. Implementation of simultaneous bidding as outlined above, however, may require revisiting the method proposed in the Notice for the calculation of upfront payments.³⁵ Rather than a payment that varies based on population per MHz, it may be appropriate for the Commission to require a lump sum upfront payment for entry to the auction floor that is large enough to discourage speculators but reasonable enough to ensure that no qualified entity is excluded merely because of the upfront payment requirement. NTIA, for example, suggests that the Commission could "require the applicant to specify a cap on total bidding expenditures, based on its available credit, and require a percentage of that cap to be tendered as the up-

³⁵

See Notice at ¶ 103.

front payment."³⁶ The Commission should explore this and other alternatives.³⁷

D. The Commission Should Ensure that Interested Bidders May Partner with One Another To Win a Bid, and Then Split the Allocation on a Geographic or Spectrum Basis

The Notice contemplates that interested parties may join together to form bidding consortia to seek individual market licenses or groups of licenses.³⁸ As part of this partnering, successful parties may wish to subdivide the resulting operations so that services are provided individually by the participants rather than on a consolidated basis by the consortia itself. The operating authority could be subdivided on a geographic basis. Alternatively, the spectrum bandwidth could be allocated among the participants.

The Commission should adopt rules that facilitate the subdivision of operating authority in either fashion. Subsequent to the completion of the bidding process, the winning parties could notify the Commission of any desired geographic or spectrum-based division. Assuming each party

³⁶ NTIA at 18 n.38.

³⁷ See, e.g., American Wireless Communication Corporation at 31 (apply a 50 percent discount to upfront and deposit payments for designated entities).

³⁸ Notice at ¶ 93.